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Special National Intelligence Estimate

Iran-Iraq War: Increased Threat to Persian Gulf Oil Exports

Key Judgments

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**IRAN-IRAQ WAR: INCREASED THREAT
TO PERSIAN GULF OIL EXPORTS**

KEY JUDGMENTS

The full text of this Estimate is
being published separately with regular distribution.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State, Energy, and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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KEY JUDGMENTS

The seemingly endless war with Iran and Iraq's worsening financial problems are forcing Baghdad to consider drastic military measures. The French sale of five Super Etendard aircraft to Iraq increases the possibility of an escalation of the Iran-Iraq war that could disrupt Persian Gulf oil exports vital to the West. Iraq first will seek to exploit the threat posed by the Super Etendard aircraft through diplomatic steps both to gain financial relief and to pressure Iran to end the war, but we believe these moves are likely to fail. We believe Iraq ultimately will attack oil tankers calling at Iran's Khark Island but most likely after a series of intermediate escalatory steps to increase the military pressure on Iran.

Iraq might delay a military strike if its renewed discussions with Syria on reopening the Iraq-Syria pipeline prove successful. Such a move would gain Baghdad some financial relief.

We are unable to confirm press reports that France has delivered the Super Etendards to Iraq, but we believe that, even if the aircraft have not yet been delivered, Iraq eventually will receive them. Once delivered, the aircraft probably would be combat-ready within a month. France believes the survival of the Iraqi regime is critical to Gulf stability and that delivery of the aircraft may precipitate events to Iraq's advantage, possibly even ending the war. France's reliability as a military supplier is also at stake.

[redacted] indicated that late next year France will deliver to Iraq new Mirage F-1 aircraft configured to carry the Exocet missile. As a result, even if delivery of the Super Etendards is canceled, Iraq probably will gain the same capability to hit tanker traffic by late 1984. Finally, Iraq already has Super Frelon helicopters armed with Exocet missiles which could be used in desperation to attack tankers, although Iraq reportedly believes their slow speed makes them too vulnerable.

25X1

Iraq would have three objectives in attacking Iran's oil lifeline: to impair Iran's war-making capacity by denying it revenues, to encourage Iran to begin negotiations to end the war, or, failing that, to force the West to intervene in the Gulf. If Iran retaliated against other Gulf oil exporters, Baghdad would hope the Western powers would intervene to ensure the safety of all oil exports from the Gulf, including those from Iraq.

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Iraq may intend initially to use the Super Etendards as a defensive deterrent to shield repairs—which would take six months—on its damaged oil export installations in the Gulf. Iran at any time could take military action to prevent Iraq from repairing its facilities or resuming oil exports from the Gulf. Nonetheless, Iraq then would argue that this places the onus on Tehran for further escalation of the war in the Gulf—giving Baghdad greater justification for using the Etendards to shut down Iran's oil exports.

Baghdad probably would choose to prepare the way for attacks by the Super Etendards on oil tankers by initiating a series of less drastic measures. Such actions would be likely to include renewed public warnings to Iran and neutral shipping, bombing raids against Iranian oil installations—including Khark Island—and increased attacks against Iranian cities, naval units, and shipping in the Gulf. We do not believe such attacks on Iran would encourage it to negotiate for peace.

Once Baghdad began using the Super Etendards against oil tankers, we believe it would conduct several attacks and then pause to assess Iranian and international reaction. Iraq would have difficulty stopping Iranian oil exports for an extended period unless it is prepared to conduct repeated attacks against tanker traffic. International oil tankers would stay away from Khark Island initially, but would be likely to resume loading at Khark if Baghdad were unable to sustain its attacks. Moreover, Iran is likely to reduce its oil prices to offset increased insurance and chartering rates in hopes of encouraging shipowners to continue serving Khark.

We believe Iraq would intensify its attacks on tankers if the initial strikes with the Super Etendards did not result in movement either to end the war or to alleviate Iraq's financial difficulties. Should the Iraqis seriously damage or sink a number of tankers, they would virtually shut down Iranian oil exports from Khark Island. Repeated Iraqi attacks would make it impossible for Iran to entice even cash-starved shipping firms to send their ships to Khark despite substantial price discounts on Iranian oil.

Given our lack of information on Iranian plans and the decision-making process in Tehran, we cannot be confident about the nature of Iran's likely military response. Ayatollah Khomeini has warned publicly that Iran will retaliate against all oil shipping in the Gulf if its own oil exports are disrupted.

We believe that Iran will not strike lower Gulf oil targets or close the Strait to oil exports except as a last resort, and that it probably will take measured responses commensurate with Iraq's phased escalation.

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25X1

Iran has sufficient foreign exchange assets to survive a short cutoff of oil exports. Moreover, by showing restraint, Tehran would place on Iraq the onus of threatening international oil shipping. In addition, Iran probably would want to avoid provoking Western military intervention—in part because it has limited capability to defend itself against a likely Western military reaction.

On the other hand, we cannot rule out the possibility that Khomeini may view Iraqi strategy as the logical culmination of the West's desire to intervene in the Gulf and destroy the Iranian Revolution. He might therefore feel obligated to rapidly escalate the conflict through attacks on Arab oil producers—especially Saudi Arabia—in an attempt to close shipping, regardless of the prospect of military defeat at the hands of the West.

Nonetheless, we expect some Iranian military response. Should Iran retaliate directly against Iraq, it might try to bomb the airbase where the Super Etendards were stationed or attack the Iraq-Turkey oil pipeline. Should Iran decide to retaliate in the Gulf it could choose from several options. Given Iran's capabilities, these are the most likely:

- Attack Kuwaiti oil facilities.
- Harass shipping in the Gulf or the Strait of Hormuz.
- Strike the oil facilities of Saudi Arabia, the United Arab Emirates, Qatar, or Bahrain.
- Close the Strait of Hormuz by mining or blockade.

Iran has some capability to initiate any of these actions and even a few attacks against well-chosen targets could do considerable damage to Gulf oil facilities. However, Iran has little capability to sustain coercive measures in the Gulf or in the Strait in the face of Western military opposition.

If Iraq were able substantially to reduce Iranian oil exports, Iran would consider drastic escalatory reactions, including attacks on oil facilities in the lower Gulf or closure of the Strait of Hormuz to all shipping. Iran's Navy is handicapped by numerous problems, but it has the capability to close the Gulf by mining or blockading as long as the action is not contested by Western navies.

Enough excess oil production capacity exists outside the Persian Gulf to absorb the loss of Iranian oil exports and the effect of moderate damage to oil facilities in the southern Gulf. Severe damage to the main Saudi facilities or closure of the Strait of Hormuz, however, would create a worldwide oil shortage and push up oil prices substantially. The

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25X1

impact on oil markets and the extent of damage to the world economy would depend on the size of the oil supply disruption and how long it was expected to last. It is impossible to make precise predictions without specifying the economic, political, or military scenario involved.

The United States has a large stake in the continued flow of oil from the Persian Gulf in spite of the fact that US oil imports from the Gulf are small (only about 2 percent of US oil consumption). Gulf oil constitutes about 30 percent of oil demand in the non-Communist world as a whole, 40 percent in Western Europe, and 60 percent in Japan. Denial of all or most of the source of supply for a substantial period of time would create a worldwide oil shortfall much greater than that in 1973 or 1979. The United States could not insulate itself from the disruption of the world oil market. In addition, the United States under the International Energy Agency agreement is obligated under certain circumstances to share the burden of a supply shortfall. The longer term impact would depend on how the Persian Gulf political and military situation was finally worked out.

An Iranian blockade or mining of the Strait of Hormuz would impact directly on Oman, whose territory is involved. Oman probably would appeal for Western support, and the other Gulf states would not impede such a move. Direct Iranian air, naval, or commando attacks on the Gulf states would produce varying reactions—from appeals to Iran for forbearance to requests for Western military intervention—depending on the installation attacked and the number and intensity of the attacks. Syria and Libya as allies of Iran would be expected to provide increased political, propaganda, and material support to Iran.

Escalation of military activity in the Gulf would have serious implications for the United States. We believe the Iranians would attack Western naval ships attempting to break an Iranian blockade or to clear mines from the Strait of Hormuz. Although Iran knows it could not halt Western intervention, it would feel its credibility as a revolutionary state was at stake and that, in any case, the West would not invade Iran.

The Khomeini regime also is likely to view even lesser forms of US military intervention as a threat to its interests. We believe, however, that Iran would not call for Soviet assistance, even if the United States directly intervened in the Gulf. If the confrontation in the Gulf were prolonged, Iran's attitude toward Soviet aid would be less certain. Soviet pressure on South Yemeni and Ethiopian leaders to grant base facilities to counter the United States would be likely to increase as a consequence of US military intervention.

SECRET

25X1

The Soviets would welcome any disruption of Western economies, however short lived, caused by an interruption of Persian Gulf oil exports. They also could acquire additional hard currency from oil sales. The USSR would try to capitalize on a Western-Iranian confrontation, probably by offering military aid to increase its influence in Tehran, but such offers are unlikely to overcome basic Soviet-Iranian frictions.

On the other hand, the USSR would be concerned about any buildup of Western military forces in the Persian Gulf. Moscow would increase its intelligence-gathering efforts in the region as tensions mounted and Soviet naval forces in the area probably also would be augmented. If Western airpower in the region were increased, some Soviet forces—particularly air and air defense units in the southern USSR—would probably be placed on alert.

Limited Western strikes against Iranian airfields or ports are likely to prompt the Soviets to admonish the West against invading Iran. Militarily, the Soviets would probably step up air defense activities within their borders and might alert and mobilize airborne units and ground forces in military districts bordering Iran. They almost certainly would do so if they believed a Western threat to invade Iran were emerging.¹

¹ For more information on Soviet military capabilities to respond to events in the West, see forthcoming NIE 11/39-83, *Soviet Forces and Capabilities in the Southern Theater of Operations*.



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